GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3446
ANSWERED ON:18.12.2015
Interest on Agricultural Loans
Lakhanpal Shri Raghav

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has in the last two years reduced the rate of interest on agricultural loans given to the farmers by the Public Sector Banks/National Bank for Agriculture and Rural Development (NABARD)/Cooperative banks and if so, the details thereof along with the guidelines laid down by the Government in this regard; and

(b) whether instances of violation of these guidelines by various banks have been reported in the last two years, bank-wise along with the corrective steps taken/being taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a): The interest rates on loans have been deregulated by Reserve Bank of India (RBI) and it is now based on the Base Rate fixed by the banks. However, with a view to ensuring availability of agriculture credit at an affordable cost, the Government provides interest subvention to make available the short-term crop loans upto Rs. 3 lakhs for a period of one year at the interest rate of 7% per annum and in case of timely repayment, the same gets reduced to 4%. The said interest subvention on short term crop loans is unchanged in the last two years. Medium Term Loans/Long Term Loans for Agriculture and Allied Activities are not covered under the Interest Subvention Scheme.

(b): Specific instances regarding violation of these guidelines have not come to the notice of Government. However, if any complaint against any bank with regard to agriculture credit is received, the matter is immediately taken up by Government/RBI with the concerned bank for remedial action.

****